Judge: Hon. Marc L. Barreca
Chapter: Chapter 7
Hearing Date: June 22, 2012
Hearing Time: 9:30 a.m.
Hearing Site: U.S. Courthouse
700 Stewart Street, #7106
Seattle, WA 98101-1271

UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re: ADAM GROSSMAN, Debtor.	Case No. 10-19817 DECLARATION OF RONALD BROWN IN SUPPORT OF TRUSTEE'S MOTION FOR ORDER APPROVING COMPROMISE AND SETTLEMENT OF ISSUES RELATING TO REAL PROPERTY LOCATED AT 868 MONTCREST DRIVE, REDDING, CALIFORNIA

RONALD BROWN declares under penalty of perjury of the laws of the State of Washington at follows:

I am over the age of 21 and competent to testify to the matters set forth herein.

I am the court appointed Chapter 7 Trustee in the above-referenced case.

I have read the Decree of Dissolution, and the numerous pleadings filed on the issues of the impact of the Decree of Dissolution. The Decree to me seems fairly straight forward. It appears the State Court Judge evenly split the assets and liabilities among the parties.

The Decree of Dissolution is very clear that Mr. Grossman is solely liable for specific community debts. Most of those claimants that Mr. Grossman was assigned to pay have filed proofs of claim in this case.

The claimants that Ms. Borodin was ordered to pay in the Decree of Dissolution have not, as of this date, filed proofs of claim in this bankruptcy proceeding. The claims bar date has passed, and thus if they filed claims at this date the claims would be late filed claims and only entitled to payment after the general unsecured claims were paid in full.

It has been my position that the Montcrest Property, awarded to Ms. Borodin, in the Decree of Dissolution does not constitute property of the estate. However, at the same time, it has been my position that it is possible that the equity in the Montcrest Property should be used to pay the community claims. However, this position appears to be at odds with paragraph 9 of the Decree of Dissolution which states:

> The assumption of indebtedness by the Husband above is necessary for the maintenance and support of the Wife and shall be considered a duty directly related to her support; provided, however, that payment of said debts shall not be considered deductible as alimony for income tax purposes by the Husband, nor includable as income by the Wife. The Husband's assumption of indebtedness, however, shall not be dischargeable in bankruptcy so as to allow a third-party creditor to claim against the Wife. Furthermore, the remarriage or death of either party shall not affect or terminate the Husband's obligation to pay these debts.

Ms. Borodin vigorously disagrees with my thought that the equity in the Montcrest Property should be used to pay the community claims. She takes the position that since three other properties, plus substantial other cash, businesses and personal property assets were awarded to Mr. Grossman, the three properties were intended to be used to pay the community creditor claims. Further, she was assigned the property located in Seattle, and the two mortgages associated therewith, and the property is worth $100,000 less than the value.

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There is no way to resolve this dispute of whether equity in the Montcrest Property should be used to pay community claims other than noting up motions and seeking a resolution from a Judge. The question of which Judge the motion should be noted before is one for which I do not have an answer at this time. Without receiving further advice from counsel or court direction, I do not know if the motion would be have to be filed in State Court or Bankruptcy Court.

I am very certain that Mr. Grossman would take a position on whatever motion was filed by the Trustee. I am also quite certain that if the Court were to determine that the Montcrest Property were awarded to the wife and the equity does not need to be used to pay general unsecured creditors, then Mr. Grossman would appeal that ruling. He has appealed the Decree of Dissolution and that appeal has been pending for almost eighteen months.

It is my estimate that it would cost approximately $25,000.00 to get a ruling from a judge on the issue on Montcrest and another $10,000.00 -$15,000.00 in the appeal which would likely be filed.

It is my belief that if the Decree of Dissolution division of assets and liabilities were reversed and all assets and liabilities set forth in the Decree of Dissolution were deemed to be property and liabilities of the estate, there would be a negative hit on this estate in the amount of $201,145.00.

I think it is highly unlikely that the general unsecured claims will be paid in full.
The U.S. Trustee has an administrative claim of about $1,000 and there are state and federal tax claims in excess of $16,000. However, I would not oppose if the court deems that some portion of sale or settlement proceeds be designated to pay priority claims and general unsecured claims. My counsel's legal fees are currently at approximately $105,000.00. My trustee fees should also be considered since I also have spent

considerable time on this case since it has been highly contentious. There also are estate accountant fees which are necessary to do tax returns.

Mr. Grossman has filed numerous claims which my counsel will need to object to and attend whatever hearings result from those objections. Assuming the Metro Way property and the Glennview Property sell for what the real estate agent has estimated, it would appear that the trustee fee in this case will be approximately $30,000.00 After payment of the Chapter 7 costs of administration, the Chapter 11 claims would have to be paid. Emily Tsai has a claim for at least $29,500.00. Lyman Opie claims he has a Chapter 11 claim in the amount of at least $30,000.00 and Ms. Borodin has filed a chapter 11 claim in the approximate amount of $50,000.00, $30,000.00 of which encompasses judgments entered against Adam Grossman, during the pendency of the chapter 11 proceeding in the state court divorce proceeding. I also have Chapter 11 trustee fees which are unpaid.

It is my belief, using my best business judgment that agreeing to settle this matter as set forth in the Motion is in the best interests of the estate.

I request that this Court approve the settlement

Signed and dated this 13th day of June, 2012 at Seattle, Washington.

/s/ Ronald G. Brown
Ronald G. Brown, Trustee

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